

FAQ

Regulatory Division of Bourse de Montréal Inc.

Subject: Position Limits

Rule Articles: 6.309A, 6.309B, 6.310, 6.311, 6.315, and 6.500

Last Update: October 1, 2021

Effective October 1, 2021, answers to the frequently asked questions (the “FAQ”) supersede any previous circular inconsistent with the FAQ. In the event of discrepancies between the Rules of Bourse de Montréal Inc. (the “Rules”) and the FAQ, the Rules shall prevail. Questions regarding the FAQ may be directed to the Regulatory Division (the “Division”) of Bourse de Montréal Inc. (the “Bourse”) at info.mxr@tmx.com, 514-787-6530, or toll-free at 1-800-361-5353 extension 46530.

Q1: What is the difference between a position limit and a reporting threshold?

A1: A **position limit** is the maximum number of contracts a Person may hold or control unless the Person has been granted a position limit exemption. Position limits for Options and Share Futures Contracts are established pursuant to [Article 6.309A](#) and position limits for Futures Contracts (except for Share Futures Contracts) are established pursuant to [Article 6.309B](#).

A **reporting threshold** is the level at which a Canadian or Foreign Approved Participant (collectively “Participants”) is required to report gross positions held. Participants must file daily with the Bourse, in the prescribed manner, a report detailing all gross positions held for its own account or for an account or group of accounts which are all owned by the same beneficial owner in Listed Products when these gross positions exceed the reporting thresholds prescribed by the Bourse for each of these Listed Products or a report confirming that there are no positions to be reported when none of the reporting thresholds prescribed by the Bourse have been exceeded for each of these Listed Products (paragraph [6.500\(a\)](#)). Such reports are commonly referred to as reports of accumulated positions or large open position reports (“LOPR”). Reporting thresholds are established pursuant to paragraph [6.500\(i\)](#).

Q2: Which Listed Products are subject to position limits?

A2: The following Listed Products with shaded areas are subject to position limits:

		Spot Month	All-Months
Interest Rates	Cash settled interest rate Listed Products (e.g., BAX)		
	Government of Canada Bond Listed Products (e.g., CGB)		
Equities	Broad-based index futures		
	Narrow-based index futures		
	Share futures		
	Options on stocks, exchange-traded funds, and trust units		
	Broad-based index options		
	Narrow-based index options		
Currency options			

Position limits and reporting thresholds are accessible via the [position limit file](#).

Q3: What is the difference between an all-months position limit and a spot month position limit, and when do these position limits go into effect?

A3: An **all-months** position limit is effective at all times and applies to the sum of all contract months of a particular Listed Product. For example, if the Ten-Year Government of Canada Bond Futures (CGB) all-months position limit is 150,000 and a Person has long positions of 90,000 September contracts and 70,000 December contracts, then the Person has a net long position of 160,000 contracts and is therefore over the all-months position limit by 10,000 contracts.

A **spot month**¹ position limit goes into effect as a particular contract month becomes the closest contract month to expiration and varies by Listed Product:

- For Government of Canada Bond Futures and Options on Government of Canada Bond Futures (collectively “**Government of Canada Bond Listed Products**”), the position limits are effective at the close of the first business day of the first Delivery Month. For example, the December 2021 CGB spot month position limit would be effective at the close of December 1st, 2021.
- For cash settled interest rate futures and options on cash settled interest rate futures (collectively, “**cash settled interest rate Listed Products**”) where the Settlement Month is the contract month (e.g. Three-month Canadian Bankers’ Acceptance Futures [BAX] and options on BAX), the position limits are effective at the close of the first business day of the Settlement Month of the quarterly contract and apply to the quarterly contract and the next two non-quarterly contracts. Note that the prescribed position limit applies to each individual contract month and remains in effect until each individual contract expires. A spot month position limit schedule for BAX can be illustrated as follows:

¹ For the purpose of this FAQ, spot month refers to the (i) first delivery month in the case of Government of Canada Bond Listed Products and (ii) first settlement month in the case of cash settled interest rate Listed Products.

Contract	Spot Month Position Limit Effective Period												
	2022											2023	
	03	04	05	06	07	08	09	10	11	12	01	02	
March 2022 BAX													
April 2022 BAX													
May 2022 BAX													
June 2022 BAX													
July 2022 BAX													
August 2022 BAX													
September 2022 BAX													
October 2022 BAX													
November 2022 BAX													
December 2022 BAX													
January 2023 BAX													
February 2023 BAX													

Example 1

If the date is December 8th, 2021, the BAX spot month position limit is 50,000, and a Person has long (+) positions of 40,000 December 2021 BAX futures contracts, 20,000 January 2022 BAX futures contracts, and 70,000 June 2022 BAX futures contracts, then:

	For the contract month of:		
	Dec. 2021	Jan. 2022	Jun. 2022
The Person's net position, in number of contracts, is:	+40,000	+20,000	+70,000
This is over (under) the spot month position limit, in number of contracts, by:	(10,000)	(30,000)	n/a

- For **cash settled interest rate Listed Products** where the Settlement Month is three months after the contract month (e.g. Three-Month CORRA Futures [CRA]), the position limits are effective at the close of the first business day of the Settlement Month of the quarterly contract. Note that the prescribed position limit remains in effect until the quarterly contract expires. A spot month position limit schedule for CRA can be illustrated as follows:

Contract	Spot Month Position Limit Effective Period												
	2022											2023	
	03	04	05	06	07	08	09	10	11	12	01	02	
December 2021 CRA													
March 2022 CRA													
June 2022 CRA													
September 2022 CRA													

Q4: When are position limits published and how can I receive position limit publications?

A4: The timing of position limit publications varies by Listed Product:

- For Government of Canada Bond Listed Products, the spot month position limits are published on the first business day prior to the first delivery notice day of the first Delivery Month.
- For all other Listed Products, position limits are published approximately two weeks prior to the effective date.

To receive position limit publications, please subscribe to the [Bourse's circulars](#) by [logging](#) into or [registering](#) for your Bourse website account and checking the box next to "circulars". Note that the position limit files are annexed to the position limit circulars and are retrievable [directly from the Division](#).

Q5: How are options on futures and futures (except for share futures) aggregated for position limit purposes?

A5: Pursuant to subparagraph [6.309A\(a\)\(iv\)](#), options on futures positions are aggregated with the underlying futures positions. For position limit purposes, the futures equivalent of one in-the-money option contract is one futures contract and the futures equivalent of one at-the-money or out-of-the-money option contract is half a futures contract.

Example 2

If the CGB all-months position limit is 150,000 and a Person has long (+) and short (-) positions of:

- +175,000 December 2021 CGB (CGBZ21) futures contracts
- -35,000 March 2022 CGB (CGBH22) futures contracts
- +2,000 In-the-money call options on CGBZ21 futures contracts
- +1,000 At/out-of-the-money call options on CGBH22 futures contracts
- -7,000 In-the-money call options on CGBH22 futures contracts
- +9,000 At/out-of-the-money put options on CGBZ21 futures contracts
- -5,000 In-the-money put options on CGBH22 futures contracts

Then calculating the net position and determining whether the position is within the position limit can be illustrated as:

Long positions on CGB futures	+175,000
Less short positions on CGB futures	-35,000
Net futures position on CGB futures	+140,000
Add In-the-money and half of At/out-of-the-money calls held on CGB futures	+2,500
Less In-the-money and half of At/out-of-the-money calls written on CGB futures	-7,000
Less In-the-money and half of At/out-of-the-money puts held on CGB futures	-4,500
Add In-the-money and half of At/out-of-the-money puts written on CGB futures	+5,000
Net options on futures position on CGB futures	-4,000
The Person's net position, in number of contracts, is:	+136,000
This is over (under) the all-months position limit, in number of contracts, by:	(14,000)

Q6: How are options and share futures aggregated for position limit purposes?

A6: Pursuant to paragraph [6.309A\(a\)](#) and subparagraph [6.309A\(b\)\(iii\)](#), share futures positions are netted by underlying interest and aggregated with the options positions relating to the same underlying interest per side of the market. For position limit purposes, the futures equivalent of one futures contract is one option contract.

Example 3

If the position limit on Dollarama Inc. Futures (FDO) and Dollarama Inc. Options (DOL) is 250,000 and a Person has the following long (+) and short (-) positions:

- +180,000 December 2021 FDO futures contracts
- -50,000 March 2022 FDO futures contracts
- +85,000 January 2022 DOL call option contracts
- -55,000 February 2022 DOL call option contracts
- -75,000 March 2022 DOL put option contracts
- +65,000 April 2022 DOL put option contracts

Then calculating the net long share futures position, calls held, and puts written (the “Long Side”) and the net short share futures position, calls written, and puts held (the “Short Side”) and determining whether the positions are within the position limits can be illustrated as:

	Long Side	Short Side
Net long or short futures position	+130,000	
Add calls held to Long Side; Less calls written from Short Side	+85,000	-55,000
Less puts written from Long Side; Add puts held to Short Side	-75,000	+65,000
The Person’s net position, in number of contracts, is:	+290,000	-120,000
This is over (under) the position limit, in number of contracts, by:	40,000	(130,000)

Example 4

If the position limit on iShares S&P/TSX Capped Energy Index ETF Futures (FEG) and iShares S&P/TSX Capped Energy Index ETF Options (XEG) is 500,000 and a Person has long (+) and short (-) positions of:

- -500,000 December 2021 FEG futures contracts
- +50,000 March 2022 FEG futures contracts
- -55,000 February 2022 XEG call option contracts
- -525,000 March 2022 XEG put option contracts

Then calculating the Long Side and the Short Side and determining whether the positions are within the position limits can be illustrated as:

	Long Side	Short Side
Net long or short futures position		-450,000
Add calls held to Long Side; Less calls written from Short Side		-55,000
Less puts written from Long Side; Add puts held to Short Side	-525,000	
The Person’s net position, in number of contracts, is:	+525,000	-505,000
This is over (under) the position limit, in number of contracts, by:	25,000	5,000

Notes:

- For (i) Options on stocks, exchange-traded funds, and trust units and (ii) aggregated Options and Share Futures Contracts, a Person can simultaneously breach both the Long Side and the Short Side position limits (see Example 4).
- Contrary to options on futures (see A5), the moneyness of Options on stocks, exchange-traded funds, and trust units is irrelevant for position limit purposes.

Q7: Which accounts must be aggregated for position limit purposes?

A7: Pursuant to paragraph [6.310\(b\)](#), the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, must be aggregated.

A Person means an individual, a Partnership, a corporation, a government or any department or agency thereof, a court, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual.

Q8: How is a position limit exemption obtained?

A8: A position limit exemption may be obtained by one of two ways:

- For a position limit exemption on **Listed Products** pursuant to [Article 6.311](#) related to bona fide hedging (as defined in [Article 6.318](#) and [Article 6.319](#)) or risk management purposes (as defined in paragraph (d) of Appendix 6D-1 of the Rules), a Participant or a client must apply by completing the standardized form in Annexe A of Policy C-1. The form may be submitted to info.mxr@tmx.com.
- For a position limit exemption on **Options on stocks, exchange-traded funds, and trust units** and on **share futures** pursuant to [paragraph 6.309A\(d\)](#), a Person need not file an exemption request with the Bourse. However, the Division may request further information including a complete and accurate description of the positions taken in the Underlying Interest or in a Security related to the Underlying Interest of the Listed Product.

Q9: When must a position limit exemption request be filed?

A9: An exemption request from a position limit shall be filed the moment the position limit for a specific Listed Product is reached or the moment the Participant or client realizes that the limit will be breached as a result of an anticipated Transaction. Where an exemption request cannot be filed immediately, it shall be filed not later than 10:30 A.M. (Montreal time) on the first business day following the day on which the limit is reached and shall provide justification for the late filing of the request.

A Participant or a client wishing to renew an exemption from a position limit must file a request for exemption with the Division. The exemption renewal request shall be filed not later than ten business days before the expiration date of the exemption.

Q10: What happens if a Person exceeds or attempts to exceed a position limit?

A10: A Participant must report immediately to the Vice-President of the Division any situation in which the Participant has reason to believe that itself or a client, acting alone or in concert with others, has exceeded or is attempting to exceed one or more position limits established by the Bourse.

Whenever the Division finds that a Person or group of Persons acting in concert holds, controls, or is obligated in respect of an aggregate position, long or short, in excess of the applicable position limit for a Listed Product, the Division may order all Participants carrying a position in such Listed Product for such Person or group of Persons acting in concert, to liquidate such position within the time set by the Bourse consistent with the maintenance of a fair and orderly market.